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IN THE

**Supreme Court of the United States**

OCTOBER TERM, 1944.

**No. 377**

**PRECISION INSTRUMENT MANUFACTURING COM-  
PANY, KENNETH R. LARSON, AND SNAP-ON TOOLS  
CORPORATION,**

*Petitioners,*

*vs.*

**AUTOMOTIVE MAINTENANCE MACHINERY COM-  
PANY,**

*Respondent.*

**BRIEF FOR PETITIONERS.**

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*Attorneys for Petitioners.*

December, 1944.



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**BRIEF FOR PETITIONERS.**

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**OPINIONS OF THE COURTS BELOW.**

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The opinion of the Circuit Court of Appeals for the Seventh Circuit in this case, reversing the District Court's judgment of unclean hands, is reported at 143 F. 2d 332 and appears in the record at pages 1210-1224.

An oral opinion was delivered by the District Court at the conclusion of the trial. At the time Findings of Fact and Conclusion of Law (R. 1121-1126) were entered, this opinion was withdrawn.

**GROUNDS OF JURISDICTION.**

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This suit for infringement of a patent under the Patent Act (Title 35, U. S. Code, Sec. 70), was brought into this court by Writ of Certiorari granted October 16, 1944, under Section 240 of the Judicial Code (Title 28, U. S. Code, Sec. 347a).

## A CONCISE STATEMENT OF THE CASE.

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This suit was filed June 15, 1942.

Respondent, Automotive Maintenance Machinery Company (herein called Automotive or plaintiff) brought suit against petitioners, Kenneth R. Larson (herein called Larson) and Precision Instrument Manufacturing Company (herein called Precision) for alleged patent infringement, charging also that the accused acts constituted breach of a contract. The contract, entered into long before any of the patents issued, forbade petitioners from making and selling certain torque wrenches, and from contesting directly or indirectly validity of patent claims then not in existence (Amended Complaint R. 2-7, Contract, Def. Ex. 4, R. 914-923).

Petitioner, Snap-On Tools Corporation (herein called Snap-On), by Petition for Declaratory Judgment (R. 15-36) and Order of Consolidation (R. 88), became impleaded as a defendant in the cause. Snap-On was the sales outlet for the accused torque wrenches made by Precision on which Larson has procured patent No. 2,312,104 (R. 867-869). That patent is not here in suit.

These torque wrenches are wrenches with a visual indicator on them to show the amount of force being applied to the tool. They are made practically exclusively for the armed services and armament program (R. 565, R. 1040-1041).

The suit was brought to enforce three of Automotive's patents; one issued to Larson (R. 1148-1157) on April 14, 1942; one issued to Zimmerman (R. 1160-1182) on May 19, 1942; and a reissue patent originally issued to Zimmerman (R. 1184-1198) January 13, 1942 and reissued while the suit was pending. The three patents relate to torque

4

wrenches of the flexible beam type, and as applications were all involved in the Larson-Zimmerman interference.

The contracts (Def. Ex. 4 and 5, R. 914-923) which were charged to have been violated by the allegedly infringing acts were acquired by Automotive together with the application for the Larson patent in settlement of the Larson-Zimmerman interference after Automotive and its attorneys discovered that Larson's proofs in the interference were perjured and his claims to priority were false (Findings 5-16, R. 1123-1125).

Thereafter Larson produced a torque wrench (Def. Ex. 3 Phys.) different from the one (Def. Ex. 2 Phys.) involved in the interference. Compare drawings of Def. Ex. 3 (R. 867-869) with drawings of Def. Ex. 2 (R. 1148-1150). After public disclosure of this wrench in commercial channels Automotive expanded the claims in the Larson application (R. 548). Upon issuance of the patents, Automotive sued petitioners for the manufacture and sale of this new wrench (R. 69).

In the amended answer, petitioners pleaded the usual defenses of non-infringement and invalidity of the patents and, in addition, that the Larson patent and the contract sued on were void because Automotive procured the contract and Larson patent application by use of knowledge of Larson's perjury in the Larson-Zimmerman interference and by suppressing evidence of the perjury in violation of Title 18, U. S. Code, Sec. 250, 251 (Para. 7b, R. 8-9); that the contract was void because it contained restraints in violation of the Sherman Act (Title 15, U. S. Code, Sec. 1) unless sustained by valid patents (Para. 7c, R. 9) at Automotive drew patent claims "deliberately phrased in ambiguous terms to purport to embrace the Precision wrench" after procuring a specimen thereof although it "involved an entirely different principle of construction



and operation" (Para. 12, R. 10-11); and that "because of the matters alleged in Paragraphs 7b, 7c, 12, and 13 hereof, as well as other inequitable conduct", Automotive was in court with unclean hands (Para. 14, R. 11). The same matters were pleaded in Snap-On's Petition for Declaratory Judgment (Para. 30, R. 30-32), which also raised the point that the Larson patent was void because it was not issued to the true inventor (Para. 14-15, R. 21).

In the District Court petitioners procured a separate trial on the issue that the contracts sued upon were invalid and void because procured by Automotive in concealing the crime of perjury and suppressing evidence thereof in violation of Title 18, U. S. Code, Sec. 250, 251 (R. 89).

After a trial of nine days, where all of the witnesses to the questioned transactions were heard, the District Court delivered an oral opinion dismissing the case because of Automotive's unclean hands. This opinion was subsequently withdrawn as the result of the *ex parte* request made by retired District Judge James H. Wilkerson and George I. Haight, on behalf of M. K. Hobbs, a witness, and the Court filed this Memorandum (R. 1126):

"MEMORANDUM.

"In this case, the court rendered an oral opinion at the closing of the arguments. At the request of M. K. Hobbs, an attorney who testified in the case, the court has re-examined the record.

"It was not the intention of the court that the statements in the opinion should be construed as implying that Mr. Hobbs had willfully given false testimony or had been guilty of professional misconduct. Accordingly, the oral opinion is withdrawn and is not to be filed as a part of the record. The Court has entered written findings and conclusions. It appears from an examination of the record that the witness Hobbs did not testify falsely; that he has adhered to the rules which govern the relations existing between attorney



and client and that he was not guilty of any professional misconduct or criminal act.

"IGOE,  
"United States District Judge."

Although the oral opinion of the District Court does not appear in the record, the tenor of its contents is indicated by Plaintiff's Proposed Findings 28, 30, 31, and 33 (R. 1113-1114) which Automotive presented to the District Court with exception and "in order to accord with the court's oral opinion" (R. 1116).

The District Court entered Findings of Fact and Conclusions of Law (R. 1121-1126) and Judgment ordering the complaint dismissed because of Automotive's unclean hands (R. 1127).

The only findings of the District Court were those entered upon the issue of unclean hands. This defense had been pleaded and tried on the grounds of the charges that Automotive had employed its knowledge of Larson's perjury to procure the Larson patent and contract sued upon, but the District Court on its own motion applied the defense to Automotive's failure to report the perjury.

The salient findings are (R. 1123-1125):

6. \* \* \* Before Larson's testimony in the interference was concluded, Thomasma sought out plaintiff's president and revealed that he had brought the invention which was the subject matter of the interference to Larson.

7. Within a week after Larson's proofs in the Interference closed, plaintiff's attorney had procured an eighty-four page statement from Thomasma (called in the trial the Thomasma affidavit), subsequently sworn to on November 15, 1940, which related in extensive detail the statements of Thomasma with respect to Larson's early work and disclosed such intimate knowledge thereof as to leave little doubt of the author's knowledge of the facts. In that statement,

Thomasma claimed authorship in 1938 of the drawing offered by Larson as the work of a highschool boy in 1936 and introduced as proof of Larson's early work; and at the same time, Thomasma produced other drawings later submitted to a handwriting expert by plaintiff, as proof of his claim.

10. The oral testimony in this consolidated cause is in irreconcilable conflict. It does disclose that if Larson's proofs in the Interference had been true, he would have proved priority of invention two or three years earlier than Zimmerman.

11. The proofs established that the attorneys who concluded the settlement knew before and certainly on December 20, 1940, that Larson knew his Interference proofs were insufficient.

13. Not one of the parties or attorneys involved in the Larson-Zimmerman Interference settlement had taken any steps to inform the proper officials of the perjury in that proceedings until the defense of unclean hands was pleaded in the two cases now consolidated.

16. Plaintiff's conduct in remaining silent after securing the Thomasma affidavit and in seeking to exploit the contracts and patent application procured in the settlement of the Larson-Zimmerman Interference, has so infected its causes of action with unclean hands that a court of equity cannot entertain the suit or any prayer for relief on plaintiff's behalf (R. 1123-1125).

On appeal the Circuit Court of Appeals delivered a fifteen page opinion (R. 1210-1224) confining its review to a consideration of its own version of the facts and the credibility of the witnesses heard and found by the District Court to be in irreconcilable conflict, and "in direct conflict, both with testimony of other witnesses, pretrial testimony, and the many documents in evidence" (Finding 4,

R. 1123). The reviewing court, discarded the evidence accepted by the District Court, found that there was no substantial evidence to support the findings of fact, that the conclusions of law were not therefore supported (R. 1224).

The issues yet to be tried if the case is remanded to the District Court for trial, are ordinary questions of infringement of the Larson and Zimmerman patents, and validity thereof, unless the disputed contracts estop petitioners from questioning validity of those patents in spite of provisions in the contracts violating the Sherman Act (Para. 3, Def. Ex. 4, R. 916-917; Para. 2, Def. Ex. 5, R. 920-921).

The conclusion of the Circuit Court of Appeals was reached by a tortured argument based upon the "Memorandum" filed by the District Court when its oral opinion was withdrawn upon an *ex parte* application made without notice to counsel.

The Circuit Court of Appeals found the random observation of the District Court "that the witness Hobbs did not testify falsely," warrant for rejection of all evidence in conflict with Hobbs' testimony, and overthrew the Findings of Fact, saying:

"However, the District Court informs us that Hobbs told the truth, and it is our duty to disregard all other evidence which cannot be reconciled therewith" (R. 1221).

The Circuit Court of Appeals thereupon tested the credibility of all of the witnesses against that of Hobbs, found everything contradicting Hobbs false, and completely ignored the contemporaneous documents and positive statements even of Automotive's witnesses supporting the findings (R. 1224).

**A Brief Statement of the Facts Upon Which the District Court Found Unclean Hands.**

In 1937 Automotive was manufacturing and selling torque wrenches like Def. Ex. 1. These were the inventions of Zimmerman whose patents issued in 1942, more than four years after the applications were filed and shortly before this suit was filed (R. 1160-1198).

In November 1937, one Thomasma, long an employee of Automotive, disclosed to Larson, Thomasma's concept of a torque wrench (R. 962). Thomasma had worked with Zimmerman while in Plaintiff's employ to June 1939 on torque wrenches (R. 312, 313).

Larson and Thomasma together worked out a wrench (R. 219) which Thomasma testified was his "idea" and his "conception" (R. 316, 323).

Wrenches were made in the fall of 1937 and are in evidence as those marked Nos. 7, 10, and 11 on the panel of wrenches (Def. Ex. 8, R. 114, 115). Thomasma, who was then employed by Automotive, worked with Larson "on the development of the wrench" (R. 218) and "helped make it" (R. 315).

Thomasma's own version of his part in this enterprise is set out at length in the Thomasma affidavit, procured by Automotive and used by it to effect the settlement of the Larson-Zimmerman Interference (Def. Ex. 21, R. 952-1012).

After unsuccessful efforts of Larson to interest distributors in his wrench, he made arrangements with Snap-On to sell the wrenches (R. 997-998).

In December 1938, Larson, Thomasma and one Carlsen organized petitioner corporation, Precision, to make these wrenches on contract to supply Snap-On (R. 221). Manufacture was started in January 1939 of wrenches like Def. Ex. 2, Phys. Larson and Thomasma were each given three

hundred shares of stock in Precision for some small tools and "their invention" (R. 135).

Thomasma's connection with Precision was concealed from Snap-On, in part, by misspelling his name in the corporation papers (R. 131, 327, 361, 494, 495, 1009).

Snap-On made arrangements to file a patent application for Larson, who was without funds, and took an assignment of the Larson application as security for performance of their trial order agreement, a customary practice with Snap-On (R. 385, 386).

Larson's application was filed October 1, 1938, with fourteen narrow claims, which are set forth in the record (R. 907-911).

### **Larson Files False Oaths in the Patent Office and Commits Perjury.**

In support of his patent application Larson filed several false oaths:

1. His oath of sole inventorship on a wrench that was the product of his joint work with Thomasma (R. 323, 462, 978, 1002).

2. An affidavit fixing his date of conception as July 1, 1934, and the making of patterns July 15, 1934 (R. 392, 393).

3. His Preliminary Statement for the Larson-Zimmerman interference, setting forth the following dates shown compared with those of Zimmerman, as reported to Automotive by its counsel (R. 1084):

Larson		Zimmerman
July 15, 1934	Conception	May 28, 1937
Sept. 12, 1934	Disclosure	May 28, 1937
May 20, 1936	Drawing	May 28, 1937
Sept. 20, 1938	Description	Sept. 10, 1937
Sept. 10, 1934	Reduction to Practice	Aug. 28, 1937
Oct. 1, 1938	Filed	Nov. 22, 1937

4. A second preliminary statement setting forth the same dates (R. 396).

Subsequently Larson's testimony, with that of a number of other witnesses, was taken in support of these false dates (Depositions, Phys. Exh. 10). Discovery of the falsity of these dates and the perjured testimony by Automotive through its former employe and detectives' investigations led Automotive to inform Snap-On and resulted in settlement of the Larson-Zimmerman interference (R. 564).

#### **Automotive Investigates Precision and Thomasma's Part in It.**

Prior to Larson's entry into the interference Automotive had made some investigation of Precision. By November, 1939, it had a financial report (Def. Ex. 81-A, R. 1073-1075) showing one "Thomasma", an incorporator, director, and stockholder of Precision and had confirmed that "Thomasma" was actually Automotive's employee, Thomasma (R. 743-744), who had been discharged in June, 1939, for refusal to explain his connection with Precision (R. 494-498).

Shortly after declaration of the Larson-Zimmerman Interference, Fidler, Automotive's attorney, wrote Wacker, Automotive's president:

"The facts indicate that the whole situation confronting your opponents in this interference is quite messy, and I will be somewhat surprised if they fight the matter. If they do contest the interference they surely will have a lot of explaining to do" (Def. Ex. 81; R. 1072, 1073).

A week later Fidler again wrote his client about information that "Thomasma was meeting Larson, was quite friendly with him and was carrying on somewhat mysteriously" (Def. Ex. 82; R. 1076, 1077).



### **Automotive's Attorney Expresses Doubt That Larson Will Contest the Interference.**

On May 31, 1940, Fidler again expressed doubt that the interference would go forward (Pl. Ex. 61; R. 904) and when asked to explain (Pl. Ex. 60; R. 903-905) wrote:

"Snap-On as well as Larson certainly knows the factual situation behind this interference and, if I am correctly informed as to that situation, I cannot see how they could hope to win" (Def. Ex. 84; R. 1080-1081).

When dates for taking testimony were set Fidler wrote Wacker:

"As I have previously said, though, it will be a surprise to me if Larson takes testimony" (Def. Ex. 85; R. 1082).

Suspicion expressed by Fidler grew into a frank conviction of disbelief as soon as he saw Larson's preliminary statement on August 5, 1940, when he compared Larson's dates with those of Zimmerman. He wrote Wacker:

"This preliminary statement was one of the most surprising things that I have come across in a long time. \* \* \* I just can't believe it. \* \* \* We know some of the extraneous facts, including the activities of your former employee, and, in the light of them, I yet cannot bring myself to believe that Larson had this wrench three or four years before you developed it" (Def. Ex. 87; R. 1084-1085).

### **Automotive Hires Investigators.**

Fidler was convinced that if Larson's dates were established Zimmerman would be defeated in the interference and therefore asked Wacker for permission to employ investigators (R. 501-502). Investigators were hired and worked from the first week in August to the end of the year and were paid approximately \$5,000 (R. 747-748; Def. Ex.

26, R. 1015-1020). One of these saw Fidler every day (R. 276) and Fidler made memoranda to record what was reported to him. The last of these is dated September 10, 1940, the first, August 12th (Def. Ex. 13; R. 928-934).

These notes disclose great detail about Precision's organization and repeated reports that "Thomasa had invented the wrench and Larson was now trying to freeze him out" (R. 928, 929); "Thomasa was formerly employed by Ammco" (Plaintiff); in the Fall of 1938 "Thomasa showed him (Larson) the wrench and Larson asked him if they couldn't work it out together. They decided to do so" (R. 930); "Mr. and Mrs. Thomasa both told Mrs. Ryan that the Precision wrench was originated in the basement of the Thomasa home at 1101 Potter Road, Park Ridge, Illinois, and that it was invented by Thomasa" (R. 930); that "Although Kamppenin was Larson's partner he knew nothing of the Precision wrench until late in 1938 when Larson and Thomasa started working on the wrench during the evenings in Larson's or Thomasa's basement. \* \* \* Kamppenin had little to do with the wrench but knows that Larson and Thomasa did not start any work on it until 1938, \* \* \* Larson never once mentioned the wrench to Kamppenin prior to 1938" (R. 931).

While these reports were coming to Fidler he wrote Wacker on September 20, 1940:

"I have some very interesting things to tell you about this interference and I hope that you can get in to see me sometime within the near future so that I can tell you what it is all about" (Def. Ex. 89; R. 1087).

When notice of the taking of testimony by Larson was given Fidler on October 19th, he wrote Wacker:

"This morning I was somewhat surprised to receive from Larson's attorney a notice of taking testimony in the above matter" (Def. Ex. 90; R. 1088).



### **Larson Supports His Fraudulent Application With Prejured Interference Proofs.**

Larson's interference proofs were taken by deposition for about one week, beginning October 24th. The depositions were never completely transcribed. The transcribed portions are before the Court in typewritten form in three volumes as Def. Ex. 10, Phys.

Larson and several other witnesses testified. Thomasma, whose connection with Precision and Larson had led to his discharge by Automotive, did not appear as a witness and, although known by Fidler to be an active agent in Precision's organization and early work, was mentioned only casually in the interference (Int. Ex. 34, Phys.).

Larson's interference testimony was positive and detailed with respect to the making of patterns Nos. 6, 7, and 8 (Def. Ex. 7, Phys.) in the summer of 1934; the making of wrenches Nos. 9 and 10 (Def. Ex. 8, Phys.) in August or September, 1934; and a continuous and diligent course of conduct on a series of other wrenches mounted on Def. Ex. 8, Phys., in 1934 and 1935 (Lar. Dep. 118, 123, 125).

The testimony of Larson and his witnesses with respect to the course of his development was accurate except for three things: the false dates by which he sought to carry his work back of that of Zimmerman; his complete concealment of Thomasma's work in the development; and the dating of a drawing made by Thomasma and produced by Larson to establish his early work. This drawing was Int. Ex. 27, or Def. Ex. 9, Phys., poorly reproduced in the record as Pl. Ex. 56 (R. 897).

Larson identified this drawing, an accurate representation of his wrench sold commercially in 1939, as having been made by a high school boy, whom he could not identify, around Decoration Day in May, 1936 (Lar. Dep. 82-

84). He said the drawing was made at his home on a very peculiar pattern-maker's paper which he furnished, etc. (Larson Dep. 160-161).

This drawing was actually made by Thomasma in his own home in June, 1938 (R. 218, 321).

The testimony of Larson was corroborated by several other witnesses and established a case of which the District Court found:

"If Larson's proofs in the interference had been true, he would have proved priority of invention two or three years earlier than Zimmerman" (Finding 10, R. 1124).

#### **During Larson's Testimony Thomasma Seeks Out Automotive and Discloses That Larson's Proofs Are Perjured.**

On November 3, 1940, the day before Larson's testimony in the interference was concluded, a meeting was held at the home of Fidler, Automotive's attorney, attended by its president, Wacker, Travis, a former employee, Thomasma and his attorney, Krichiver. What occurred at that meeting, how it was arranged, and what followed, are detailed in a letter from Wacker to Fidler, written at Fidler's request, on November 5, 1940 (Def. Ex. 11; R. 924-928).

The witnesses who attended the meeting at Fidler's home recalled little of the conversation but Wacker's letter to Fidler (Def. Ex. 11; R. 924-928) fully reviews what occurred and reports that

"You and I (Fidler and Wacker) both stated definitely that we knew the facts in the case and stated them as we knew them to be. Thomasma, Krichiver and Travis did not argue the facts as we stated them but on the contrary acquiesced and agreed" (R. 926).

The District Court found:

"Before Larson's testimony in the interference was concluded, Thomasma sought out Plaintiff's president

and revealed that he had brought the invention which was the subject matter of the interference, to Larson" (Finding 6, R. 1123).

### **The Thomasma Affidavit.**

On Thursday evening, November 7, Thomasma returned to Fidler's home. Neither knew the purpose of the meeting, but Mr. Fidler's secretary was there (R. 319, 755, 821).

For two long evenings, November 7 and 8, Fidler interrogated Thomasma and had his secretary record the proceedings, which fill all but the last two pages of the eighty-three page Thomasma affidavit (Def. Ex. 21; R. 952-1012) initialled and sealed on each page:

According to Fidler's testimony, he had told Thomasma nothing of the contents of the Larson interference proofs and had shown him none of the exhibits (R. 819, 974, 985, 1000) and Thomasma had not told Fidler anything of what he knew of the facts about the Larson-Precision wrench (R. 754, 821). Nevertheless, Thomasma, in two evenings, under questioning by Fidler gave answers that fill sixty pages of the printed record (R. 952-1012). This affidavit is full of detailed facts about the development of the wrench and everything that attended and followed it. Of this document the District Court made his Finding 7 (R. 1123), printed on Page 6 of this brief.

Detailed discussion of the Thomasma affidavit and its inherent demonstration of the falsity of Larson's proofs would exhaust this brief. A few salient points:

1. Thomasma disclosed the code with which the early wrenches were marked by Precision, in which the letters of the word FISKEGUANO were serially assigned to the numerals 1 to 0 (R. 953). Note this marking on the two wrenches (Int. Ex. 31, 37; Def. Ex. 104, 105). Larson, in his deposi-

tion, could not identify this code (Larson Dep. 140). Fidler so testified (R. 816).

2. Thomasma, who had never seen the interference exhibits, described the peculiar brown paper upon which the critical drawing (Int. Ex. 27; Def. Ex. 9) was made and claimed authorship of that drawing, (R. 965-967) which he said he made in June, 1938, and presented Fidler with another drawing (Pl. Ex. 57; R. 899) for the purposes of comparison (R. 322).

3. Thomasma stated that he had worked with Zimmerman, Automotive's inventor, on the torque wrenches it had been selling Snap-On and had made several suggestions for improvements, which Zimmerman rejected (R. 960, 978-979). Among other suggestions that Thomasma made which were incorporated in the Precision wrench were the use of the round spring rod as a beam; the omission of the forging between the head and the spring bar which is in the Automotive wrenches; the attachment of the spring bar directly to the head, etc. (R. 960-962).

4. Thomasma related that he brought the whole idea to Larson in November 1937 when Larson called on him at his home and demonstrated with a few pieces how the wrench would be made. From that information Larson made the pattern for the first casting, had the pattern cast and machined the casting, Thomasma working with him on the machining (R. 962-964). Thomasma made the "heads out of chrome-vanadium steel and machined the springs out of Columbia tool steel and then directed him (Larson) as to the hardening of them". Larson ground them (R. 964).

5. Thomasma watched Larson make the second set of patterns (R. 964) and because Larson was doing most of the work Thomasma made the drawing and turned it over to Larson (Def. Ex. 9; R. 964-966).

6. When Fidler showed Thomasma a photostat of the drawing (Def. Ex. 9) while the Thomasma affidavit was being dictated, Thomasma unhesitatingly identified it (R. 968), described the parts of the wrench that he had made and the work he had done in designing the instrument (R. 969, 977, 978, 971-973).

7. Although Thomasma had not seen the patterns or photographs of them, he described them meticulously (R. 973-974). Without any revelation to him of how the castings were made he told Fidler all of the facts that had been testified to in the interference depositions (R. 973-974).

Thomasma's affidavit is replete with infinite detail showing an intimate knowledge (Fidler, R. 816) of the development work which led to the production of the Precision wrench late in 1937 and early 1938 (R. 869). Throughout the affidavit and on at least five separate occasions Thomasma affirmed Fidler's statement that Fidler had told him nothing about the testimony in the interference (R. 819, 974, 985, 1000).

The Thomasma affidavit is full of references to the companies which either furnished parts or did some work on the early wrenches and those contained hundreds of leads to independent sources from which the statements of Thomasma as to the time when the Precision wrench was first produced could have been verified. The testimony of Fidler and the investigators shows no effort to follow these leads to determine the frustworthiness of the Thomasma affidavit. The inherent evidences of the truth of that document are so overwhelming that pursuit of these independent sources of corroboration appeared unnecessary (R. 817).

**Thomasma's Disclosures to Fidler Are Corroborated by Larson's Alarm and Promptly Reported to Larson's Attorney.**

On November 11th, Alberts, the attorney who had conducted Larson's interference, received an anonymous telephone call that the Larson testimony in the interference was perjured (R. 475) which he immediately reported by letter to Larson and demanded an explanation (Def. Ex. 62; R. 1044). Larson immediately telephoned a denial (R. 475).

Larson and Carlsef then immediately sought out Thomasma, showed him the letter, and demanded a statement from him that he had nothing to do with the development of the Precision wrench. The information was immediately given to Fidler who inserted it in the incompleated Thomasma affidavit (R. 324, 756). Thomasma concludes that Carlsef and Larson "were very definitely scared regarding the possible consequences that might result from their past conduct" (R. 1011-1012).

November 20, 1940, Fidler called Alberts to his office and disclosed the Thomasma affidavit, the contradiction between Thomasma's statement and the Larson depositions, Thomasma's claim to authorship of the drawing which Larson had dated far in advance of Zimmerman's earliest work, and about the code marking on the wrenches (R. 761-763). He showed Alberts the Larson drawing and the drawings which he had procured as standards of comparison and pointed out similarities (R. 400-401, 764-765).

Alberts testified that he compared the drawings, was convinced they were made by the same parties, and asked that Thomasma be made available for an examination so that Alberts could bring in Johnson, Snap-On's President, to hear Thomasma directly (R. 401-402).



Alberts summarized the meeting with Fidler in a letter to Daniels of Snap-On, written two days later (Thanksgiving Day intervening) (Def. Ex. 70; R. 1050-1052). That memorandum contains the statement that Fidler insisted that if Plaintiff were compelled to take testimony to prove these facts "action for perjury would be insisted upon and the case thrown wide open" (R. 1052). Fidler denied that he made that statement and contradicted Alberts' testimony in several particulars (R. 763-765).

Fidler then consulted a handwriting expert about Thomasma's authorship of the drawing (Def. Ex. 9, Phys.) and wrote Wacker that the expert had "said that there were many items of similarity which indicated that both drawings (Int. Ex. 27 and an authentic Thomasma drawing) were made by the same man" (Def. Ex. 92, R. 1090).

The expert was Salmon (R. 646-658).

Salmon was given an enlarged reproduction of the questioned drawing on Monday (R. 807), and on Wednesday, the 27th, Salmon met Fidler in his office and examined another authentic Thomasma drawing and Salmon delivered to him "his tabulation of similarities" (Pl. Ex. 58; R. 901), which Salmon "explained that this was his work sheet, and that what was indicated on there was similarities between the two drawings. But he was not satisfied with that; \* \* \*" (R. 807).

Wacker testified that Fidler before November 15, 1940, believed the drawing produced by Larson, had been made by Thomasma (R. 510).

On November 28th, at Alberts' request, Thomasma was produced at Fidler's office and examined orally before Fidler, Wacker, Allen (Automotive's vice-president), Johnson (Snap-On's president) and Alberts. What occurred at that meeting is disputed.

Wacker testified that Fidler examined Thomasma about the disputed drawing and the development of the Precision wrench (R. 517-518); that Johnson said "if Thomasma's story is true, this thing smells to the high heavens," and that Alberts said "if Mr. Thomasma's story was substantiated, that he would withdraw as attorney for Precision and Larson" (R. 523-524, 526-527, 528).

Johnson testified that Alberts told Fidler he would immediately get into touch with Larson and that if the facts were substantiated by Larson he would grant a concession of priority and withdraw as attorney for Larson (R. 368). Johnson added that Fidler made a statement as they were leaving,

"He didn't feel that a concession of priority would satisfy Mr. Wacker; that Mr. Wacker had spent considerable money on tension wrench patents, and that unless a satisfactory adjustment was made with him, that he would unleash the dogs. . . . He also said that they had discussed the matter with the United States patent officials, and that it was even a matter for the United States District Attorney." (R. 368.)

Alberts testified,

"We stood up and were about to leave, when I made the statement to Mr. Fidler that under all of the circumstances that were presented to me at that meeting, that I would withdraw as attorney for Larson, that I would recommend to Snap-On Tools Corporation that they consent to Larson conceding priority of invention to Zimmerman; . . . (R. 406.)

"Mr. Fidler came up to Mr. Johnson and myself and told me that Mr. Wacker had spent over five thousand dollars investigating Larson and his associates; that a concession of priority alone would not satisfy him; that not only would it not satisfy him, that this matter had to be settled to the satisfaction of Mr. Wacker, and settled promptly or else Mr. Wacker would instruct him to unleash the dogs. And he continued by saying



that he had already talked to the Patent Office officials, and that if Mr. Wacker was compelled to go to Hartford to prove his case, and to go through with this thing at the additional expense, that he certainly would have to go to the District Attorney with this matter." (R. 407-408.)

"I told him that he would hear from me or Larson, . . . Mr. Larson would have to get another attorney, and he would undoubtedly hear from his attorney." (R. 408.)

Fidler testified fully about the conference, and that when Johnson said he was there "with clean hands",

"I challenged it by reviewing the facts that I knew respecting the relationship of Snap-On and Automotive, and Snap-On and Precision and Thomasma in the picture, and I stated that in view of those circumstances I didn't feel that Snap-On was very well circumstanced in the picture or in the situation. . . ."

"I mean (by Thomasma's situation in the picture) the fact that Thomasma was our prior employee, that is, Automotive's, prior employee, that he had helped develop the wrench that had been furnished to Snap-On, and he had gone to Snap-On at some time or other to service wrenches and that he, while an employee of Automotive's had gone with Larson and helped form Precision, and that he was one of the incorporators of Precision, that he was a stockholder of Precision, and Precision was now making wrenches for Snap-On, according to the information that I had, of a wrench that had been brought from Automotive to Precision and handed back that way to Snap-On, a wrench very similar to the one that we had made for Snap-On. . . ." (R. 766.)

Fidler said that Alberts said that "if this story were true . . . he would have to withdraw as attorney for Larson . . ." Johnson remarked that "if this were the true story, or something, that the whole thing smells to the high heavens" (R. 768). Fidler denied that Alberts men-

tioned a concession of priority (R. 769, 773) and denied the threatening statements attributed to him by Johnson and Alberts (R. 770) and many other statements in the testimony of the other witnesses (R. 770-774).

### **Larson Is Confronted by His Attorney and Gets Another Attorney.**

Alberts and Johnson left the conference at Fidler's office, telephoned Larson to come to Alberts' office, and there confronted him with what they had heard. Larson refused to commit himself on the truth of Thomasma's account, procured the names of some attorneys from Alberts, and finally left the office after blurting out a confession (R. 225, 345, 409-411). On that or the following day Larson and Carlsen called on Attorney M. K. Hobbs and retained him (R. 226, 576).

Larson testified that he and Carlsen told Hobbs "the predicament we were in" (R. 226), "that there had been some false testimony given, that we wanted an attorney that would try to settle it as peacefully as possible. We didn't want to be turned over to the District Attorney for it. And he said he thought surely something could be done, and we told him if he needed any of the facts of the case he could call Mr. Alberts and he could tell him, and while we were in his office he called him" (R. 227). "Well, when we told him it was false testimony, he said that was a serious offense and we should settle it as peaceably as possible and we tried our best to not cause too much trouble" (R. 231, 235).

Carlsen corroborated this (R. 140-143, 345, 350, 352, 354, 355).

Hobbs' version of the retainer and first visit differs from that of Larson and Carlsen. He testified: "He (Larson) didn't say anything about District Attorney, or turning

over to the District Attorney. He did tell me about the drawings that he had worked on and that Thomasma had worked on" (R. 602). Hobbs knew that Larson and Carl- sen were coming because just shortly before they came he "had a telephone call from Mr. Alberts."

"Mr. Alberts told me he understood there was in this affidavit statements of Thomasma which attacked the originality, and the date of the Larson drawings which Mr. Alberts was relying upon to carry, to establish the date of Mr. Larson. .

"Mr. Alberts stated that he was afraid that the drawings he was relying upon were not true drawings, that they were mis-dated." (R. 577.)

Fidler was confined to his home with a back injury, so Hobbs and Edward Haight called on him there (R. 578). Hobbs testified:

"Q. Now, in that conference was there any discussion of the Larson testimony or the Thomasma affidavit?

"A. No, there wasn't. Mr. Fidler started to tell me about the testimony and about the Thomasma affidavit and I told him I wasn't interested in that, that my commission was to settle this Interference and that I didn't think it was relevant or pertinent to what I was trying to do.

Q. Did Mr. Fidler say anything about perjury at all in that conference?

A. No. I stopped him. What I am trying to indicate to you is, I stopped him from talking about it. I didn't want to hear the conflict of testimony." (R. 581.)

Of this meeting, another witness, Edward Haight testified:

"... then we talked about settling the Interference.

Mr. Fidler opened the conversation on that, as I recall it, after Mr. Hobbs had said that he knew generally the facts in connection with it. Mr. Fidler said

that he could give him more details and he started to tell us about an affidavit he had, or a statement he had, that would indicate that a drawing or drawings introduced by our client in the Interference had been faked, and Mr. Hobbs told him that he didn't think it was necessary to go into those facts, that we were there to discuss settlement of the case and there was no need to retry it or continue the trial." (R. 631.)

"Q. And you stated Mr. Hobbs opened the conversation by relating to Mr. Fidler the facts. What did he tell him?

A. If I said that I was in error. What Mr. Hobbs did do was to tell Mr. Fidler that he, Hobbs knew generally the facts." (R. 637.)

"Q. What did Mr. Hobbs say in cutting him off?

A. Well, in substance Mr. Hobbs said, 'I do not think it will be necessary for you to go into that, or for you to discuss that. After all, we are here to try to settle the Interference and at the outset I will say that one thing that we are willing to do is concede priority in the course of a settlement, and if we do then I don't think it is material what the evidence has been to date.' " (R. 638.)

After the meeting with Fidler, Hobbs wrote his client and enclosed a draft of a proposed letter to Fidler which opens:

"We have had two conferences with our client in this matter, the last one today. As we have indicated to you, we have not read the record nor do we propose to do so, at least at this step of the proceedings. Rather our philosophy is based upon the assumption that everybody is wrong and that the practical thing to do is to make a definite settlement of rights. We, therefore, propose the following:" (Def. Ex. 66, R. 1047.)

The offer proposed (1) Larson's concession of priority, (2) plaintiff's release to Larson and Precision of civil liability, (3) plaintiff's licensing Precision to protect its cus-

tomers, royalty of 3% to be paid only on future business, and (4) recovery of Thomasma's stock in Precision. (Def. Ex. 66, R. 1047-8.)

Fidler meanwhile had consulted Wacker, and on the same date wrote Hobbs:

"Mr. Frederick G. Wacker, President of Automotive Maintenance Machinery Co., owner of the Zimmerman application involved in the above interference, is quite anxious to dispose of this interference situation at any early date. Mr. Wacker is particularly concerned because of the existing trade situation respecting the form of wrench in question. It is his position that, due to the nature of the competition that he must meet with respect to the wrench, he is being additionally damaged each day that the matter is delayed. \* \* \*

I took up the matter with Mr. Wacker as soon as possible after our conference last Monday, and he informed me that it would be satisfactory to terminate the interference as proposed by you—namely, by Larson conceding priority to Zimmerman and by payment to Automotive Maintenance Machinery Co. of a sum equal to a certain royalty per wrench for wrenches already made and wrenches on order and to be made in fulfillment of orders already given, and further agreement to discontinue the manufacture and sale of the wrench as soon as the orders on hand had been filled." (Pl. Ex. 29, R. 873-4.)

#### **Alberts Withdraws as Attorney for Larson and Precision.**

It is Automotive's position that although Alberts stated at the November 20 and November 28 conferences that he would withdraw as Larson's attorney if he found the facts disclosed by Thomasma to be true, Alberts never did *formally* withdraw from the interference by filing a document to that effect in the Patent Office.

On December 3, 1940, the day after Hobbs, as Larson's attorney, conferred with Fidler at his home, and four days

after Hobbs wrote Fidler of his retainer, Alberts wrote Fidler:

"This will confirm my announcement at the conference held at your office on November 28, 1940, with Messrs. Wacker, Allen, Thomasma, and Joseph Johnson, that I would withdraw as counsel for Kenneth R. Larson in the above entitled proceedings in view of an alleged contradiction in the Larson testimony.

Accordingly, the officials of Snap-On Tools Corporation who were given a complete report on the conflicting versions stated by Thomasma at your office, on one hand, and the testimony presented by and in behalf of Larson, on the other hand, have authorized me to withdraw as counsel for Larson and the latter has been so advised as of November 28, 1940." (Def. Ex. 71, R. 1053.)

Automotive's president, Wacker, clearly understood why Alberts was withdrawing (R. 523-528).

Hobbs represented Larson and Precision throughout the settlement negotiations (except for one day) and made the settlement for them.

### **Lindsey Enters the Case as Automotive's Attorney and Issues a Twenty-four Hour Ultimatum.**

On December 11 Wacker, impatient because of the situation, consulted Lindsey (Fidler's associate) and Fidler. Fidler had on December 9 reviewed the situation with Lindsey, who had previously heard of it only casually (R. 685-687, 779-780).

On December 11 Lindsey telephoned Hobbs, with whom he was well acquainted (R. 688). Hobbs tells of the short and abrupt conversation:

"The part I don't remember so well, but I think my recollection is accurate, is that you said you were just getting into the matter and you had heard from Mr.



Fidler about our talks with each other and communications about a settlement; that you had a proposition to make and it was a take-it-or-leave-it 24-hour proposition.

"That made me mad and I told you I didn't care if you or your client was Hitler, you couldn't push me around and I was through negotiating if that was the basis upon which negotiations were to proceed.

"I was very angry. You were too. . . ." (R. 583-584.)

Thereupon Lindsey dictated a memorandum, entitled "Minimum Terms for Total Settlement" (Pl. Ex. 59, R. 903) which he said was never submitted to Mr. Hobbs (R. 689). The memorandum bears a handwritten note, "Tentative settlement submitted by Fidler & Lindsey to Hobbs", and has as its final term "Time for Acceptance or Rejection of Either Proposition Expires 5:00 P. M., Thursday, December 12, 1940" (R. 903).

On December 11, Alberts testified, he received a telephone call from Hobbs and another from Lindsey, relating to the proposed settlement, which he outlined in a memorandum to his client on the same day (R. 416, 419; Def. Ex. 72 and 72-A, R. 1054-1057).

The attorneys, except Alberts, met at the Union League Club on December 12, and discussed settlement (R. 584, 689-690).

On the following day they and Alberts met at Hobbs' office and discussed settlement (R. 585, 691, 780). Fidler had prepared a draft agreement (Def. Ex. 14, R. 934) and it was submitted to Alberts and Hobbs (R. 420, 537). That agreement contains a positive recital.

"Whereas, it has been determined by the parties hereto and their respective counsel that the party Zimmerman is the prior inventor of the subject matter involved in said Interference No. 77,565, as well as

all other subject matter commonly disclosed in said Zimmerman and Larson applications;" (Def. Ex. 14, R. 935.)

The agreement contained requirements that Larson and Snap-On would turn over to plaintiff two patent applications of Larson, one of which ripened into the Larson patent in suit; a covenant to discontinue the manufacture of wrenches like Def. Ex. 2 after standing orders had been filled; a covenant not to infringe any of the claims of the Larson or Zimmerman applications or patents issued thereon; a covenant not to contest directly or indirectly the validity of those claims; a transfer to plaintiff of the reserve or "defense fund" withheld by Snap-On pursuant to its agreement with Precision; and a release from plaintiff to the other parties and their customers (Def. Ex. 14, R. 934-937).

Alberts testified that he objected to the terms of the contract and offered to submit a tentative compromise, but Lindsey said, "'No', that if there is any compromise contract to be submitted he was the one that is going to be submitting it to me, and not myself to him" (R. 421). Alberts then took up the contract with Snap-On and on December 17 submitted a counter-offer (Def. Ex. 73, R. 1057-1061).

### **The Negotiations Blow Up, Hobbs Withdraws, and the Interference Proceedings Are About to Resume.**

Upon receipt of Alberts' letter of December 17th (Def. Ex. 73) Lindsey and Fidler discussed it, but made no reply and wrote Alberts a letter (Pl. Ex. 30, R. 875), demanding a copy of the transcript of the Larson depositions, transcription of which had been held up at Hobbs' request by agreement (R. 632, 1049), and giving notice of the taking of depositions in the resumed Interference on behalf of Zimmerman on December 23rd (Def. Ex. 77, R. 1068-1069).



The witnesses were to be Raftery, the reporter who reported the Larson depositions, Schmid, an associate of Lindsey and Fidler, Fidler himself, and the wives of Larson and Carlsen. Only Fidler knew any of the facts relating to Zimmerman's work (R. 784).

The letter contains this salient paragraph:

"Our client has informed us that it desires to prosecute this interference with all possible speed. We have advised them that they are fully justified in demanding speed in view of the situation, concerning which you are fully informed" (Pl. Ex. 30, R. 875).

Alberts sent the documents to Hobbs together with a substitute power of attorney (R. 423; Pl. Ex. 32, R. 876). Hobbs on December 18th wrote Larson and Precision withdrawing as their counsel. The letter reviews the efforts at settlement and concludes:

"Without the settlement, Precision is in a precarious position. Between the upper millstone of Amco and nether millstone of Snap-On, the outlook for the future is not sanguine \* \* \*" (R. 878).

"We think you should give very serious consideration to whether you desire to spend any additional funds in the interference" (Pl. Ex. 33, R. 879).

On the next day Hobbs again wrote his late client, enclosing copy of a letter to Alberts (Pl. Ex. 34, R. 879-880) and says:

"\* \* \* I still believe that you and Precision might effect a settlement with Amco, which settlement would require a concession of priority; \* \* \*" (Pl. Ex. 35, R. 880-881).

On December 19th Hobbs again wrote Alberts telling him of the necessity of Larson's engaging other counsel, and briefly reviewing his work since his retainer of November 28th, or 29th, when "We immediately took steps to settle that matter and its attendant charges and countercharges" (Pl. Ex. 50, R. 891).

### **Automotive's Attorney Writes a Final Letter and Makes the Matter Clear.**

Lindsey received a copy of Alberts' letter to Hobbs of December 18 (Pl. Ex. 32) and immediately wrote Alberts a remarkable letter (Def. Ex. 68, R. 1048-1050) and "had it delivered by a messenger" (R. 695). The messenger asked to see Alberts personally, and handed him the letter (R. 424). In view of the letter's contents this is not remarkable.

The letter stated that it is the author's purpose "to make our position perfectly clear so that there will be no question about it in the future," that the depositions would be taken pursuant to the notice (served the preceding day), warned Alberts "that you can (not) divest yourself of all responsibility in this matter," charged him with instructing witnesses "at opportune times—inopportune times for Automotive—not to answer certain pertinent and searching questions asked on cross-examination on behalf of Automotive," with employing the reporter, with an incorrect and incomplete transcript, and then:

"You must recognize that a large part of the testimony taken on behalf of Snap-On and Larson is, to put it mildly, not the whole truth. Mr. Johnson of Snap-On has been fully advised of the situation—so far as it has developed—and I assure you that there are further developments to still be revealed. You and Mr. Johnson should—if you do not—realize that you are holding up the issuance of the Zimmerman patent without the slightest justification. \* \* \*" (R. 1049)

The real reason for the letter, and a perfectly rational explanation thereof, was given by Fidler, who sat by while it was being dictated and approved it (R. 783) and testified:

"Question: Merely the falling off or breaking of negotiations for settlement would not justify you in

saying to Mr. Alberts and Mr. Johnson that they were holding up the issue of the Zimmerman patent without any justification; would it?"

"**Answer:** Well, after they had told us Zimmerman was the prior inventor and we hadn't yet received a concession of priority, it certainly would." (R. 822-823)

Alberts immediately replied at length (Def. Ex. 76, R. 1063-1067), reviewing the temper of the negotiations so abruptly terminated, labeling the Lindsey letter "threatening accusations," "incriminating assertions," and "duress," and stating "your client has no right to threaten as I have repeatedly heard the expression from Mr. Fidler and Mr. Wacker 'to unloose the dogs' if you do not get everything you ask for" (R. 1064). Alberts reviewed the disclosures of the falsity of Larson's testimony, attacked Thomasma's credibility, disclaimed any culpability on his own and Snap-On's parts, and refused to acknowledge anything wrong with Larson's proofs (R. 1065-1067):

No reply was made to this letter.

### **Negotiations Are Resumed and Come to a Quick Conclusion.**

The next day, December 20, Hobbs, who had withdrawn on the 18th, telephoned Alberts and asked him to meet with Hobbs, Lindsey and Fidler at Lindsey's office (R. 428-429) and Lindsey apologized for Alberts' interpretation of Lindsey's Letter (R. 699). New drafts (Def. Ex. 15, 16, R. 939-947) of contracts substantially identical with that submitted on December 13 (Def. Ex. 14) were submitted.

Finally the two contracts in suit (Def. Ex. 4 and 5) were agreed on. These eliminated the second Larson application and any reference to the so-called "defense Fund" which plaintiff had demanded. They did contain an assignment

of the Larson application involved in the interference, and later issued as the Larson patent in suit, limited license to fill orders on hand, covenants to admit validity and not infringe any of the claims in the Larson and Zimmerman applications or the patents into which they would mature, and general releases (R. 914-923).

Although the agreement with Larson and Precision (Def. Ex. 4) recited a consideration of \$500.00 paid by them to plaintiff, this money actually went to pay for Thomasma's stock in Precision, which plaintiff had procured for delivery to Precision (R. 785). In addition, the parties arranged for mutual releases between Thomasma and Larson and Precision (R. 588). A list of the documents executed is contained in Fidler's letter of December 26, 1940, to Wacker, transmitting copies (Def. Ex. 95, R. 1094).

### **The Notebooks of the Larson Depositions Are Destroyed.**

There was considerable testimony as to whether or not there was discussion of the destruction of the evidence of Larson's perjury. It was in irreconcilable conflict. The District Court made no findings thereon but it refused Plaintiff's proposed finding 37 that there was no agreement to suppress the evidence in consideration of Defendant entering into the contract, and finding 40 that there was no suppression of the evidence (R. 1114-1115).

The only evidence that was not available at the time of the trial were two of four notebooks of the shorthand reporter Raftery, who reported the Larson depositions, and a drawing.

When Fidler and Lindsey sent notice to Alberts of resumption of the interference testimony, Raftery, the reporter employed by Alberts, was named as a witness (Def. Ex. 77; R. 1068). When the settlement was effected some-

body telephoned Raftery and excused him from the subpoena that had been served upon him (R. 661) and on December 26 Fidler wrote Raftery telling him that he was excused from responding to the subpoena and asking him to deliver to Alberts immediately "each and every notebook or other means employed by said Thomas Raftery in taking down stenographically and reporting testimony given orally on behalf of the party Larson \* \* \*" and "the original copy of such testimony stenographically taken \* \* \*" (Pl. Ex. 16; R. 845). A copy of that letter was sent to Hobbs, Alberts and Wacker. Wacker replied:

"I also acknowledge receipt of your second letter of December 26 enclosing copy of your letter to Mr. Thomas Raftery, the reporter who reported Larson's testimony. Your letter together with this enclosure requires no comment on my part.

"Well, now that the odor of this unpleasantness is becoming more remote it is indeed a relief to feel that it is successfully behind us." \* \* \* (Def. Ex. 19, R. 951.)

Raftery admitted to the Court that this was the first time he had ever turned over his original notes to lawyers (R. 671).

## SPECIFICATION OF ASSIGNED ERRORS TO BE URGED.

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The Circuit Court of Appeals erred in:

1. Reversing the District Court's judgment of dismissal on the ground of unclean hands, in direct conflict with the decisions of this Court in *Keystone Driller Co. v. General Excavator Co.*, 290 U. S. 240; *Hazel-Atlas Glass Co. v. Hartford Empire Co.*, 322 U. S. 238; *Morton Salt Co. v. Suppiger Co.*, 314 U. S. 488; and *Meredith v. Winter Haven*, 320 U. S. 228.

2. Holding that attorneys who were morally certain that perjured testimony had been taken in a Patent Office interference and who had procured a concession of priority from the perjurer and a transfer of his patent application by virtue of that knowledge, were under no duty to report the crime under Criminal Code section 146 (Title 18, U. S. Code, sec. 251).

3. Employing a remark in a "Memorandum" of the District Court on the credibility of one witness as a mandate "to disregard all other evidence which cannot be reconciled" with his testimony, in direct conflict with the rule announced by this Court in *Stone v. United States*, 164 U. S. 380, 383, and *Loeb v. Trustees of Columbia Tp.*, 179 U. S. 472, 483, that a reviewing court is "not at liberty to refer to the opinion (of the trial court) for the purpose of eking out, controlling, or modifying the scope of the findings." (164 U. S. 383.)

4. Applying a construction of Federal Rule of Civil Procedure 52(a) directly conflicting with the terms of the Rule and numerous decisions of the Circuit Court of Appeals.



## SUMMARY OF ARGUMENT.

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1. There was no occasion for settlement of the Larson-Zimmerman Interference unless Larson's proofs, which established his unquestioned priority, were false. Plaintiff had full knowledge that those proofs were false and when Larson conceded priority there could be no question of it. Plaintiff used its knowledge of the perjury to procure the application for the Larson patent and the contract containing illegal restraints for which it sought equitable protection in this suit. Plaintiff failed to report the crime of which it had knowledge. The chancellor, therefore, properly dismissed the suit for unclean hands.

2. An attorney who learns of perjury by his adversary is under duty to report the crime both under the statute and by virtue of the canons of ethics, both of which express a public policy in furtherance of which the chancellor may refuse equitable relief.

3. The statement in the District Court's Memorandum absolving Hobbs, that Hobbs "did not testify falsely" was not a finding of fact on the credibility of the witnesses, and was not a finding that all of Hobbs' testimony was true, as the Circuit Court of Appeals thought, and the Circuit Court of Appeals was in error in rejecting the findings of fact on the assumption that it was its "duty to disregard all other evidence which cannot be reconciled" with Hobbs' testimony.

4. Federal Rule 52(a) does not permit a Circuit Court of Appeals to assume the District Court's function of weighing the credibility of witnesses and the Court of Appeals is limited in its review to the rejection of findings of fact which are "clearly erroneous" after having given due regard "to the opportunity of the trial court to judge of the credibility of the witnesses."

## ARGUMENT.

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**I. The Chancellor Was Empowered in His Discretion to Dismiss the Complaint Where Plaintiff Sought to Enforce a Patent and a Contract Procured from Its Adversaries in an Interference Proceeding After Plaintiff Discovered Perjury in the Interference and Concealed That Perjury Until It Was Pleaded by Others in This Cause.**

"There is no clearer maxim of equity than 'He who comes to equity must come with clean hands'; this is true of equity at all periods."—*Hanbury, Modern Equity* (London, 1935) p. 4.

The doctrine of unclean hands, as a ground for dismissal of a complaint in equity has been so clearly set forth by this Court in *Keystone Driller Co. v. General Excavator Co.*, 290 U. S. 240, 244-246, that no restatement of the doctrine is here necessary.

The doctrine was also announced and applied by this Court in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U. S. 238, 250-251, and *Morton Salt Co. v. Suppiger*, 314 U. S. 485, 493-494.

Those cases were all patent cases, as is the present case. The rule applied, however, is but part of the more extensive doctrine stated by this Court in *Meredith v. Winter Haven*, 320 U. S. 228-235, that a Chancellor may withhold relief in furtherance of a recognized defined public policy.

The doctrine finds peculiar application in patent cases because of the fact that while the litigation is conducted by individual litigants, the public is inevitably affected by the possession and assertion of patent rights. Twice within

the last term this Court has pointed out the paramount public interest resident in patent litigation, stating:

"It is the public interest which is dominant in the patent system." (*Mercoid Corp. v. Mid-Continent Investment Co.*, 320 U. S. 661, 665.)

and

"There are issues of great moment to the public in a patent suit." (*Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U. S. 238, 246.)

In the case before the Court, Plaintiff is asserting a patent which it acquired as an application from one of the Defendants, Larson, and two contracts barring all the petitioners from ever raising their voices, directly or indirectly, to question the validity of that patent.

An agreement not to contest validity of a patent is a restriction which in any guise challenges examination because of its paralyzing effect upon those most likely to contest, for their own as well as the public's interest, the maintenance of a monopoly under a patent. The restriction is in this case peculiarly suspect because of the genesis of the Larson application. That it was the result of collaboration between Larson and Thomasma, and that it was repeatedly advanced in its prolonged voyage in the Patent Office by false affidavits and perjured proofs is no longer subject to controversy in this case.

That Larson had no right to the two claims which were in controversy in the interference and that he should have conceded priority thereof to Zimmerman is conceded. The only justification Larson had for maintaining the interference was his claim to invention in 1934, which was false and supported only by his false oaths and the perjured testimony.

Plaintiff, however, did not content itself with the elimination of this impostor inventor by forcing him out of

the interference, but after discovery of his perjury procured the delivery to itself of—not a quit claim to the controverted claims, but—the entire patent application of Larson and the contracts to discontinue promptly the manufacture of a then unpatented wrench and never to “directly or indirectly contest the validity of any claim or claims \* \* \*, that may issue upon said Zimmerman and Larson applications” (Def. Ex. 4, R. 917).

What justification was there besides the compulsion of the knowledge of Larson’s perjury that warranted Plaintiff in demanding and procuring the properties offered in this case for equitable protection? Plaintiff may urge that since the Larson patent application grew out of the betrayal by Thomasma of his trust as an employee of Plaintiff, Plaintiff merely restored itself by recovering an accretion to the disloyal enterprise in which its employee, Thomasma, had enlisted Larson.

That position is clearly disclosed by Fidler’s first report to Hobbs of a basis of settlement acceptable to Wacker, by which Plaintiff would also collect a royalty on each wrench already made (not then patented) and require Precision to discontinue manufacture thereof (Pl. Ex. 29, R. 873-875).

That position presumes that the Larson patent embodies patent property stolen from Plaintiff. If so, it is only because that patent incorporates the joint efforts of Thomasma and Larson, and the prosecution of the application as Larson’s sole application condemns Plaintiff in this Court.

If, as Plaintiff must contend to escape that condemnation, Larson was in fact the sole inventor of the subject matter of his application, Plaintiff never had any claim thereto and the assignment thereof to Plaintiff under the

compulsion of the discovery of Larson's perjury condemns Plaintiff before this Court.

It was this insoluble dilemma which confronted the Chancellor when he dismissed the complaint on a finding that Plaintiff and its attorneys had discovered perjury by Plaintiff's adversaries in the Patent Office Interference and thereafter remained silent as to the discovered crime while procuring from Larson and his associates the suspect application and the contracts. That silence and Plaintiff's effort to procure the aid of the Chancellor in exploiting the patent subsequently procured on the Larson application and those contracts the Chancellor held constituted unclean hands.

The Circuit Court of Appeals rejected the Chancellor's findings upon its own weighing of the credibility of the witnesses, although it found that prior to Defendants' pleading of the facts in this case, "Plaintiff and its attorneys, of course, were morally certain that Thomasma's story was true, \* \* \*" (R. 1220-1221) and, therefore, that Larson's proofs were perjured.

That there was a duty to report the perjury if Plaintiff had knowledge thereof seems to be conceded by all. The Circuit Court of Appeals, crediting Plaintiff with some doubt short of absolute certainty, said:

"Under these circumstances . . . no duty devolved upon plaintiff to report this information to either the District Attorney or the Patent Office" (R. 1221).

**Plaintiff and Its Attorneys Knew of Larson's Perjury at the Time of Settlement.**

That the Circuit Court of ~~Appeals~~ Appeals was correct in agreeing with the District Court on the moral certainty of the knowledge of Plaintiff's attorneys as to Larson's perjury, is amply sustained by examination of merely a few critical bits of evidence.

Wacker testified that he "had every reason to believe that it (Larson's interference testimony) was not the whole truth when Larson conceded priority" (R. 519), eighteen months before this suit was instituted.

In his first letter to Larson's attorney on December 6th, discussing settlement of the interference, after the details of the Thomasma affidavit had been made known to Snap-On and Alberts, its attorney, Fidler wrote of Wacker's anxiety to dispose of the interference situation at an early date and repeatedly expressed the urgency of an "immediate conclusion". He wrote also,

"Mr. Wacker is particularly concerned because of the existing trade situation respecting the form of wrench in question. It is his position that, due to the nature of the competition that he must meet with respect to the wrench, he is being additionally damaged each day that the matter is delayed" (Pl. Ex. 29; R. 873-875).

What grounds did Wacker have for his impatience? The interference had gone forward according to schedule. Larson's proofs, if true, unquestionably established his right to prevail (Finding 10, R. 1124). Only if the proofs were false did Wacker have grounds for complaint and impatience. His expression of impatience clearly discloses knowledge of the falsity of Larson's proofs (Fidler letter, Pl. Ex. 29, R. 873-875).

Automotive's other attorney, Lindsey, also infected with



this impatience, wrote Larson's attorney on December 18th when he sent a notice for resumption of the interference testimony:

"We have advised them (plaintiff) that they are fully justified in demanding speed in view of the situation, concerning which you are fully informed" (R. 875).

The "situation", obviously, refers to the false proofs which made Larson's case. The next day Lindsey wrote Alberts charging:

"You must recognize that a large part of the testimony taken on behalf of Snap-On and Larson, is, to put it mildly, not the whole truth. . . .

"You and Mr. Johnson should, if you do not, realize that you are holding up the issuance of the Zimmerman patent without the slightest justification" (Def. Ex. 68; R. 1049).

Here, in the contemporaneous documents written by Plaintiff's attorneys, without a word of any testimony to be weighed, lies positive proof that Plaintiff had reached the conviction that Larson had no standing in the interference, a conviction that could be founded only upon the conclusion that his proofs were perjured, and were therefore "not the whole truth" and constituted not the "slightest justification" for maintaining the interference which was holding up the issuance of the Zimmerman patent.

Then there is also that strange document which Plaintiff's attorneys procured from Thomasma and exhibited to Defendants, the Thomasma affidavit. That was an account by a man who, according to Fidler's testimony, had been told nothing of the interference exhibits or testimony but who, nevertheless, knew them as intimately as if they were—and they were—of his own authorship and experience.

The inherent evidences of the conclusiveness of the facts

recited in that affidavit make Thomasma's credibility almost irrelevant.

That affidavit, contrasted with the interference testimony in which Thomasma, known to Plaintiff to be an active agent in the Larson enterprise, did not appear as a witness and was mentioned only as a director of the company, disclosed a concealment of his critical position in the history of Larson's wrench that could but confirm and corroborate the many other positive indications of Larson's perjury.

Nor must it be overlooked that Thomasma had at that time two hundred sixty shares of Precision stock, almost one-third of the company's capital which he had repeatedly tried to sell to Plaintiff (R. 735-755).

The only explanation for Thomasma's possession of that stock was that he, like Larson, was given it for his part in the invention (R. 971, 972). Even the Circuit Court of Appeals found that they were given the stock "for the work they had done on the wrench" (R. 1213).

The Thomasma affidavit also contains the revelation that Larson and Carlsen had come to Thomasma in desperation and fright on November 12th, after the interference proofs were closed, and had sought to exact Thomasma's statement that he had no connection with the development of the Precision wrench (Def. Ex. 21; R. 1011-1012), a fact that was immediately communicated to Fidler and by him incorporated into the Thomasma affidavit (R. 756). The corroborating value of evidences of flight in the proof of guilt has been accepted since Biblical times.

Early in December, Plaintiff knew that Alberts had withdrawn and that Hobbs had approached Fidler for a settlement and had submitted at least one incontestable term, "a concession of priority" to Zimmerman (R. 773).

That concession could have been warranted only on the ground that Larson's proofs were perjured, unless all the

parties were bent upon a larger conspiracy to pass off Zimmerman in the Patent Office as the inventor of the subject matter when Larson's proofs, if true, made him the inventor. Only if Larson's proofs were known to be perjured could the parties accept and file such a concession.

There was, of course, also the testimonial admission by Fidler that the charge in Lindsey's letter of December 19th to Alberts (Def. Ex. 68; R. 1049) that Alberts was "holding up the issuance of the Zimmerman patent without the slightest justification" was made because and "• • • after they had told us Zimmerman was the prior inventor and we hadn't yet received a concession of priority, • • •" (R. 823).

Similarly, every contract prepared by Automotive offered to Defendants in settlement of the interference contained a recital that, "Zimmerman is the prior inventor" (R. 915, 920, 935, 940) a conclusion that could not stand if Larson's proofs had not been discarded as perjured.

Examination of these physical evidences of Plaintiff's certainty of the falsity of Larson's proofs could be continued indefinitely. However, the District Court found:

"Finding 11. The proofs establish that the attorneys who concluded the settlement knew before and certainly on December 20, 1940, that Larson knew his Interference proofs were insufficient." (R. 1124.)

The only ground upon which the sufficiency of Larson's proofs was ever challenged is the ground that the proofs were perjured. There is thus a flat finding by the District Court that Plaintiff's attorneys knew of that perjury on or before December 20, 1940.

**Without Larson's Perjury There Was No Occasion for Any  
Settlement of the Interference.**

Larson's proofs, as the District Court has found, if true, would have proved his priority of invention two or three years earlier than Zimmerman (Finding 10; R. 1124).

If Plaintiff had not reached the conclusion that Larson's proofs were perjured there was no occasion for the settlement of the interference whereby Plaintiff procured a concession of priority by Larson to Zimmerman, the Larson patent application, and the contracts in suit.

Wacker testified that if Larson's dates were established Plaintiff was through in the interference (R. 501-502, 564). Wacker must have accepted Larson's perjury as an established fact and Thomasma's part in the production of the Larson wrench as absolute data, or he could not have found the grounds for complaint which led to the impatience for settlement expressed by Fidler in Fidler's letter to Hobbs (Pl. Ex. 29; R. 873-875).

Obviously, if Larson's dates were true his work on the wrench would have been done in 1934 and 1935, before Plaintiff had developed anything that Thomasma could have carried over to Larson in 1937 when Zimmerman did his earliest work. There could thus have been no grounds for complaint of Thomasma's collaboration with Larson in 1937 and 1938, or any claim against Larson and his confederates for unfair competition, breach of confidential disclosure, or any other civil offense.

Lindsey admitted that if Larson's statements of his early work were true, Thomasma's relations with Precision and Larson would have had no bearing on the situation (R. 711).

Fidler, in reply to substantially the same questions, at-

tempted to explain a devious theory of abandonment, that he thought might have justified the subsequent demands of Plaintiff (R. 813-814). None of this was discussed during the negotiations.

Hobbs admitted flatly "that if Larson's testimony were true he was entitled to prevail in the interference, and there was no need for a settlement of any kind." (R. 604.)

There is thus incontrovertible evidence that Larson's perjury was not only within Plaintiff's knowledge at the time of the settlement but was an indispensable foundation for that settlement.

How was the knowledge of Larson's perjury employed to effect that settlement?

#### **Automotive's Use of Knowledge of Perjury.**

There is no question that Zimmerman was entitled to prevail in the Larson-Zimmerman Interference, once it is conceded that Larson's proofs were perjured. A concession of priority would have yielded Plaintiff the two claims in interference. What did Plaintiff actually get?

Plaintiff procured a concession of priority, and the Larson patent application and a covenant not to contest validity directly or indirectly, and not to infringe any claims that might issue in the Larson patent, regardless of their scope or when or how obtained. That covenant would forever have closed Larson's and Snap-On's mouths against any attack on the Larson patent, and thus prevented disclosure by those most fully informed, of the facts surrounding the original work of Thomasma on the concept patented in the Larson patent.

Plaintiff then prosecuted the Larson patent application and took, not the fourteen narrow claims (R. 907-

911) which Larson had originally filed, but an expanded patent with thirty-two claims, a patent which is now asserted against a structure entirely different from anything ever made by Plaintiff or made by Larson and Precision prior to the interference settlement. Plaintiff's contentions about the limited character of the Larson claims, in an attempt to invest him with exclusive inventorship, are belied by the institution of this suit.

The Larson application was filed by him as a sole inventor. Every fact in this record discloses that he was not the sole inventor, and that if there was invention it was the joint invention of Larson and Thomasma. That the further prosecution of the application was fraught with some delicate tactical problems is revealed by Fidler in his letter to Wacker upon the conclusion of the settlement when he reported to Wacker:

"Any action that I take will necessarily include careful review of all the applications, including the Larson application which you now own, to determine whether or not there are additional claims that we might secure for your further protection. That, as you know, is a rather ticklish proposition because we do not want to do anything that might cause the Examiner to react against us with respect to claims already allowed.

"We are much relieved due to the fact that this most unpleasant situation is behind us." (Def. Ex. 97; R. 1097.)

Fidler never raised any question of the right to present such additional claims belatedly attributed to Larson by his late opponents—more than two years after filing.

Not only was the Larson application originally filed on a misrepresentation as to the sole inventorship, but that application was fortified three times with false affidavits as to the date of conception when the interference was suggested and finally declared. The counts which Larson



falsely claimed were incorporated in that application. Can it be that a document whose birth and infancy are so fraught with fraud and deceit can ever be redeemed and made the beneficiary of the protective hand of a Chancellor?

There is no condoning what Larson did or the work of his confederates. Not only was that conduct subject to utter condemnation but it warranted the invocation of criminal process.

When Plaintiff discovered Larson's fraud and perjury and the evil arrangements by which Larson and Thomasma had gone into business with the conception that Thomasma had carried from his employer, there were several things Plaintiff could have and should have done.

Plaintiff should have informed the authorities (Title 18, U. S. Code, Sec. 251). The statute which thus imposes upon one with knowledge of the actual commission of a crime the duty to disclose that crime, is not only a criminal statute which may be invoked for the prosecution of offenders but it is a declaration of the national policy with respect to situations of this kind.

Plaintiff might also have instituted civil suit for conspiracy against those whom it detected as participants in a plot or fraud against it.

If Larson and Precision possessed any of plaintiff's "patent property" there was quick redress in the civil courts (if plaintiff had some reason to withhold the full disclosure of Larson's perjury from the Patent Office), redress which would have exposed the facts and destroyed that embryonic patent of Larson. There would have been injunctions and accounting and all of the extensive aid of chancery.

Plaintiff did not resort to the courts. Plaintiff set its

own penalty on the crime; its own price on the deliverance.

We need not enter upon the controverted versions of what occurred in the various meetings prior to the settlement of December 20, 1940. The temper of that settlement is clear in the current documents.

Plaintiff denies that there were any threats or promises made to protect Larson against prosecution for perjury. The evidence is irreconcilable. Even were everything that Plaintiff's witnesses testified to the entire testimony on this subject, there still are the implied threats carried in the Lindsey letters of December 18th (Pl. Ex. 30; R. 875) and December 19th (Def. Ex. 68; R. 1048-1050), which resulted in settlement on the following day.

The law is clear that such threats need not be expressed. As said in *Good Hope State Bank v. Kline*, 303 Ill. App. 381, 25 N. E. (2d) 425, 428:

"Where there is included in the compromise of civil injuries from a criminal act, some promise or agreement, express or implied, that the prosecution of the criminal case shall be suspended, the agreement is contrary to public policy and illegal."

To the same effect are *Henderson v. Victor, et al.*, 268 Ill. App. 514, 517, and *State v. Ostensoe*, 181 Minn. 106; 231 N. W. 804, 805.

With the facts disclosed at the meeting with Thomasma on Sunday evening, November 3rd, as reported by Wacker (Def. Ex. 11; R. 924), and Larson's testimony not yet concluded, what did Automotive do?

What could it have done? It could have proceeded to tear Larson's proofs apart—brought out the truth. No—it just went along, playing for bigger stakes than merely winning the interference. Prevailing in the interference,

it could get judicially only what belonged to it, the two claims in controversy. By being its own chancellor, it procured for itself more than just victory in the interference. It procured commercial position and elimination of competition.

With the Thomasma affidavit in its possession, righteous rage should have filled the plaintiff's heart.

Plaintiff could have, of course, proceeded with the testimony in the interference and could have called all of the perjurers and brought out by further examination the true facts. Plaintiff had the material to "show up" the falsity of Larson's proofs by continuance of the interference proceeding. Instead plaintiff called a conference. What was the purpose of this conference, merely professional courtesy? If so, nothing would have stood in the way of immediate resort to the authorities to clean up this Augean stable.

Plaintiff was "concerned because of the existing trade situation", and saw a larger opportunity of taking the Larson patent application; sealing the mouth of Larson with an estoppel; sealing the mouth of Thomasma with a release and something more than Thomasma later said "Travis" had promised him: (Def. Ex. 46, R. 1035), and thus after an interval of 6,000 wrenches, apparently badly needed in the military program, painlessly putting Precision to death, and thus forever doing away with the "competition that he (Wacker of Automotive) must meet with respect to the wrench" (Pl. Ex. 29, R. 873-875).

That it was in fact almost a life or death matter between Automotive and Precision, Wacker testified:

"Q. You knew that if Larson's testimony was true, that Larson should have prevailed in the Interference, and you would be out of business instead of Precision, at the time you made your settlement: did you not?

A. We suspected that, yes.

Q. You knew that if Larson's testimony was true, Larson should have prevailed?

A. If it had been true: and we suspected that it was not true,

A. I think we permitted Mr. Alberts and Mr. Johnson to hear the story of Mr. Thomasma, and that resulted in the settlement" (R. 564).

Plaintiff will argue it had no such purpose. Wacker detected the larger purpose. He had helped Larson get Thomasma's Precision stock for \$500.00, a mere pittance if Precision's life had not then been doomed. On December 27th he wrote Fidler in part:

"I also acknowledge receipt of your second letter of December 26 enclosing copy of your letter to Mr. Thomas Raftery, the reporter who reported Larson's testimony. Your letter together with this enclosure requires no comment on my part.

"Well, now that the odor of this unpleasantness is becoming more remote it is indeed a relief to feel that it is successfully behind us.

"While this has been an expensive procedure and while we did not collect any damages, you were completely successful in securing our patent, in tying Snap-On into the picture and in saving us from plenty of future worry, effort and added expense" (Def. Ex. 19; R. 950-951).

Wacker even suffered a slight patriotic twinge when he saw what the extermination of his competitor might mean. He wrote Fidler on February 3, 1941:

"Of course the thing that I anticipate Snap-On and Precision will do is to try to get the Government to demand these wrenches regardless, unless we can fill the orders of the Government in the same sizes, the same specifications and at the same prices, and if that should happen it will certainly put us on a spot" (Def. Ex. 60; R. 1040-1041).

The contract which is here in suit, which was executed as part of the interference settlement, has only the one purpose: to keep the competitors out of this field by a blind acknowledgment of the validity and a blind covenant not to infringe any claims that might ever issue in the two Zimmerman applications then pending and the Larson application procured in the settlement, a covenant that might have had some justification were the covenantors licensees of the Plaintiff, but a covenant so bound with a limited license to expire within a few months, that it effectually condemned defendants to eternal respect for claims that had not then been conceived or drawn.

The covenant to discontinue manufacture of the unpatented wrench also effectively extended the life of the Zimmerman and Larson patents by the period of time that would intervene between discontinuance of manufacture and issuance of the patents.

## **II. The Circuit Court of Appeals Erred in Holding That Plaintiff's Attorneys Had No Duty to Report Their Knowledge of Larson's Perjury.**

The District Court expressly found that

"13. Not one of the parties or attorneys involved in the Larson-Zimmerman Interference settlement had taken any steps to inform the proper officials of the perjury in that proceedings until the defense of unclean hands was pleaded in the two cases now consolidated.

"16. Plaintiff's conduct in remaining silent after securing the Thomasma affidavit and in seeking to exploit the contracts and patent application procured in the settlement of the Larson-Zimmerman Interference, has so infected its causes of action with unclean hands that a court of equity cannot entertain

the suit or any prayer for relief on plaintiff's behalf" (R. 1125).

The Circuit Court of Appeals stated expressly that although " . . . plaintiff and its attorneys, of course, were morally certain that Thomasma's story was untrue . . . ", under these circumstances " . . . no duty devolved upon plaintiff to report its information to either the District Attorney or the Patent Office" (R. 1220, 1221).

The "circumstances" referred to by the Circuit Court of Appeals were merely events that occurred long before the date of settlement. The Court of Appeals failed to consider the events that attended the settlement negotiations and its execution that positively disclosed recognition by all that Larson's proofs were perjured: Larson's formal concession of priority, Lindsey's letter of December 19th charging that Larson's proofs were "not the whole truth", Fidler's recognition that "they had told us Zimmerman was the prior inventor," and the submission of formal contracts stating that it had been determined "that the party Zimmerman is the prior inventor."

In spite of this positive knowledge Plaintiff did nothing for eighteen months, when it filed this suit, and said nothing about the perjury until it was pleaded some months later.

The Criminal Code, section 146 (Title 18, U. S. Code, sec. 251), provides:

"Misprision of Felony. Whoever, having knowledge of the actual commission of the crime of murder or other felony cognizable by the courts of the United States, conceals and does not as soon as may be disclose and make known the same to some one of the judges or other persons in civil or military authority under the United States, shall be fined not more than \$500, or imprisoned not more than three years, or both. (Mar. 4, 1909, ch. 321, sec. 146, 35 Stat. 1114.)"



That statute is here quoted, not as a criminal section for enforcement, but as an expression of national public policy. Its expression in a federal statute was no novelty. 4 Blackstone Commentaries 120 (Cooley, 3rd Edition 1884).

In addition to the mandate of public policy implicit in the Criminal Code, the Canons of Ethics generally subscribed to, those of the American Bar Association, contain this provision:

Canon 29. " \* \* \* The counsel upon the trial of a cause in which perjury has been committed owes it to the profession and to the public to bring the matter to the knowledge of the prosecuting attorneys. \* \* \*"  
(Also Canon 29, Chicago Bar Association; Canon 29, Association of the Bar, City of New York; Canon XXX, Boston Bar Association.)

Whatever compulsion the canons of professional ethics may impose upon those who profess adherence thereto, they are an eloquent expression and unmistakable recognition of a duty born of public policy.

What authority can be cited against this elementary mandate uttered to maintain the sanctity of the administration of justice? What principle creates any consideration paramount to those that form the foundations of a proper judicial system?

As this court has so ably said in *Hazel-Atlas Co. v. Hartford Co.*, 322 U. S. 238, 246, answering the contention that a private litigant's tardiness in bringing to light a misrepresentation to a court of justice constituted such laches as to forbid relief:

"This matter does not concern only private parties. There are issues of great moment to the public in a patent suit. \* \* \* Furthermore, tampering with the administration of justice in the manner indisputably shown here involves far more than an injury to a

single litigant. It is a wrong against the institutions set up to protect and safeguard the public, institutions in which fraud cannot complacently be tolerated consistently with the good order of society. Surely it cannot be that preservation of the integrity of the judicial process must always wait upon the diligence of litigants. The public welfare demands that the agencies of public justice be not so impotent that they must always be mute and helpless victims of deception and fraud."

What escape is there for plaintiff from the inevitable consequences of the violation of this mandate? What interest of a private litigant in a Patent Office interference proceedings can be advanced to nullify the imperative application of this doctrine?

Plaintiff will say that neither it nor its counsel had absolute knowledge of the perjury, will say that it possessed at best a deep suspicion of Larson's proofs. Enough of the facts have been reviewed to establish that they "would convince any lawyer of normal perception" that Larson's proofs were untrue.

Again, however, if plaintiff insists that it had no *knowledge* of the perjury, and that the facts of which the Circuit Court of Appeals found they were morally certain did not impose the duty to report the perjury, plaintiff is in another dilemma:

If plaintiff knew of the perjury, it is guilty of unclean hands for failure to report it.

If plaintiff did not know of the perjury, plaintiff by procuring a concession of priority from Larson, whose proofs established priority by several years, was guilty of burying a prior inventor directly within the condemnation of the *Keystone Driller case*, 290 U. S. 240.

### **III. The Circuit Court of Appeals Erred in Employing a Remark of the District Court on the Credibility of One Witness as a Mandate "To Disregard All Other Evidence Which Cannot Be Reconciled" With That Witness' Testimony.**

The Court of Appeals' decision is bottomed on the premise, repeatedly expressed (R. 1216, 1221), that the District Court found "that Hobbs told the truth, and it is our duty to disregard all other evidence which cannot be reconciled therewith" (R. 1221). The Court concluded therefrom that "the contradicted testimony of Larson, Carlsen, Alberts and Johnson has no probative value and cannot be considered as substantial evidence in the light of this record" (R. 1223), and that "We are convinced that the findings of fact, with respect to plaintiff, are not supported by substantial evidence, and that the conclusions of law are not supported by the findings" (R. 1224).

This unwarranted conclusion arose from a total misconception of the language, intent and purpose of the Memorandum of the trial court (R. 1126) filed simultaneously with the findings of fact and the conclusions of law (R. 1121).

The Court of Appeals thus set itself up as the judge of the credibility of the witnesses when no findings as to any witness' credibility were tendered or made, and the only findings on credibility are 4 and 10, which find the testimony "in irreconcilable conflict" both with other testimony and documentary evidence (R. 1123, 1124).

The Memorandum was not a finding. It clearly reveals that it was delivered specifically at the *ex parte* request of the witness Hobbs.

The Memorandum clearly sets forth its purpose and intent to absolve Hobbs and not to affect issues in the case.

The Memorandum does not say that "Hobbs told the truth", but merely that "It appears from an examination of the record that the witness Hobbs did not testify falsely" (R. 1126).

That the remark that "Hobbs did not testify falsely" is not a finding that all of his testimony is true and certainly not a mandate to "disregard all other evidence which cannot be reconciled" with his testimony, is clear.

A witness may be wholly innocent of false testimony, and yet testify so inaccurately, so mistakenly, or with such poor recollection, that his testimony is wholly irreconcilable with that of other witnesses. The testimony of such other witnesses is not therefore to be rejected.

For example, in this case the witness Hobbs testified that he did not recall making a statement to petitioners' attorneys at a meeting two weeks before the trial, "Of course, we were all operating on the basis that there was perjury" (R. 627). Such a failure of recollection as well as inaccurate or mistaken recollection would still leave the witness free of a charge of having testified falsely. It would not however rebut the evidence of other witnesses or subject a court to the "duty to disregard all other evidence" which could not be reconciled therewith.

This Court, in 1896, in *Stone v. United States*, 164 U. S. 380, 393, in a civil suit brought to recover the value of property destroyed by Indians, found that a finding of fact could not be modified by the opinion of the trial court, stating:

"We are not at liberty to refer to the opinion for the purpose of eking out, controlling, or modifying the scope of the findings."

This rule that the findings of fact are the controlling determination of the trial court and are not subject to qualification or control by an opinion has been the es-

established rule of the federal courts. *United States v. Flower*, 108 F. (2d) 298, 301; and *American Ins. Co. v. Scheufler*, 129 F. (2d) 143, 146 (both in the Eighth Circuit).

In the former case the appellant relied upon certain statements from the trial judge's opinion in direct conflict with the findings, and the Circuit Court of Appeals held:

"It is not the opinion that controls, however, but the findings of fact made by the trial judge." (P. 301.)

In fact, in cases where the findings of fact were inadequate to support a judgment, the courts have uniformly refused to permit them to be supplemented by facts in the opinion. *Leverett Saltonstall v. Joseph Birtwell*, 150 U. S. 417, 419.

The Circuit Court of Appeals in this case was not in a position of having an opinion conflicting with express findings of fact. The Court had merely the Memorandum by the trial judge, made on the *ex parte* request of a witness, Hobbs, with respect to that witness' testimony and without any reference to the merits of the case except that "The Court has entered written findings and conclusions." Thus, the only record of the District Court's determination of the merits of the case is that expressed in the Findings of Fact and Conclusions of Law.

#### **IV. The Circuit Court of Appeals Erred in Applying a Construction of Federal Rule 52a Directly Conflicting With the Terms of the Rule and Numerous Decisions.**

In its opinion the Circuit Court of Appeals refused to accept the findings of fact entered by the District Court stating that "many of them are not findings of fact" (R. 1221). The Court failed to point out what findings might be subject to that criticism and clearly erred in that statement as the findings are all unmixed findings of

fact, except possibly Finding 16 (R. 1125) which found unclean hands, and, like a finding for negligence, necessarily contained an application of a legal standard.

The Circuit Court of Appeals, confronted with the rule that findings of fact supported by substantial evidence could not be set aside, circumvented this rule by weighing the testimony of the witnesses and rejecting a large part of the testimony of four witnesses as without probative value (R. 1223).

It has heretofore been pointed out that the Court was misled in the fundamental assumption which it made in employing the testimony of Hobbs as outweighing that of all of the other witnesses. It is the purpose of this section of the brief to point out that the Court erred in assuming a function as a trier of facts in violation of Civil Rule of Federal Procedure 52a, which, with respect to cases tried without a jury, reads in part:

"Findings of Fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the Trial Court to judge of the credibility of the witnesses."

When this rule was first proposed as Rule 68 of the Preliminary Draft of Rules of Civil Procedure (May 1936) it read (p. 118):

"The findings of the Court in such cases shall have the same effect as that heretofore given to findings in suits in equity."

and the notes of the Advisory Committee to this Court stated that in equity cases the proposed rule left "all cases tried without a jury to be fully reviewed on appeal" (p. 121).

In the next report of the Advisory Committee (April 1937) the proposed rule was expressed in its final form and the note to this Court stated that the proposed rule



"accords with the decisions on the scope of the review in modern equity practice" (p. 150).

In the notes to the Rules as promulgated this statement was expanded by the addition of this sentence:

"It is applicable to all classes of findings in cases tried without a jury whether the finding is of a fact concerning which there was conflict of testimony, or of a fact deduced or inferred from uncontradicted testimony." (P. 264-265.)

The Advisory Committee cited four cases in this Court. *Warren v. Keep*, 155 U. S. 265, *Furrer v. Ferris*, 145 U. S. 132, *Kimberly v. Arms*, 129 U. S. 512, and *Tilghman v. Proctor*, 125 U. S. 136, which is referred to in each of the three other cases cited by the Advisory Committee. In the last case this Court said:

"We are then brought to a consideration of the exceptions taken to the master's report in matters of fact, affecting the accuracy of his conclusions in respect to the amount of those profits, gains and savings. In dealing with these exceptions, the conclusions of the master, depending upon the weighing of conflicting testimony, have every reasonable presumption in their favor, and are not to be set aside or modified unless there clearly appears to have been error or mistake on his part." (P. 149.)

One of the earliest statements on the rules, New Federal Procedure and the Courts by Alexander Holtzoff, contains this construction of the Rule:

"In view of the above mentioned restriction on the scope of appellate review of the findings of a trial court, the results reached should not be set aside by the Circuit Court of Appeals in a case in which the evidence is conflicting and one of the elements involved was the credibility of witnesses." (p. 133.)

This authority would apparently make the scope of appellate review more nearly like that in an action at law

tried before a jury. That the rule itself is not entirely unambiguous has been observed by several commentators on the rules. See *Scope of Review of Findings*, 2 Federal Rules Service, 672-675, and *Ilsen, Federal Appellate Practice As Affected By The New Rules of Civil Procedure*, 24 Minn. L. R. 1, 34; 2 Federal Rules Service, 737:

"The rule was changed in the second published draft; the language of the second draft so far as it pertains to the scope of review of facts is the same as that in Rule 52, as adopted by the Supreme Court, which provides: . . .

"It has been assumed that Rule 52 provides for the equity review, but there is a possibility that the scope of review called for by this rule may be an open question for the Supreme Court to settle, for not only has the express equity characterization been deleted in favor of language which, although found in modern federal equity cases, would seem to be an accurate statement of the effect to be given to jury verdicts, but also the Committee Note states, not that Rule 52 adopts, but merely that it is in accord with the modern federal equity practice. To the extent that the traditional concepts of law review are applied under Rule 52, to that extent will the burden on the appellate courts be lightened. It seems particularly desirable that the Supreme Court be freed from the necessity of analyzing confused and conflicting testimony and passing upon the weight of evidence. To this end, it is not beyond expectation that the Supreme Court may find Rule 52 ambiguous and resolve the question in favor of the common law rather than the equity formula."

The Seventh Circuit Court of Appeals has repeatedly laid down the true principle for the application of Rule 52 (a):

In *Campana Corporation v. Harrison*, 114 F. 2d 400, 405, the court said

"In the application of Federal Rule 52 it is the

following principle that guides this Court; the reviewing court does not review the evidence as an original fact finding tribunal; it does not attempt to settle conflicts in evidence or to determine questions of credibility."

Similarly, in *Carter Oil Co. v. McQuigg*, 112 F. 2d 275, 279, the court said

"Where the question is one of veracity it is clear that the appellate court should give controlling weight to the trier of fact who saw and heard the witnesses. This is well established."

The scope of review available in an equity case under this rule has been the subject of scores of decisions, all however precluding the Circuit Court of Appeals from substituting its judgment of credibility for that of the District Court or setting aside findings not "clearly erroneous."

In the earlier case of *Webb v. Frisch*, 111 F. (2d) 887, 888, the Seventh Circuit Court of Appeals observed:

"We cannot say that a finding of fact of prior use is 'clearly erroneous' merely because we might have entertained some doubt about the quantum of evidence."

In *Manning v. Gagne*, 108 F. (2d) 718, 720, the First Circuit Court of Appeals said:

"We are not called upon here to decide whether there was substantial evidence warranting findings by the judge, different from those which he made, but only whether his findings are clearly erroneous within Rule 52(a). . . ."

In *Kuhn v. Princess Lida of Thurn and Taxis*, 119 F. (2d) 704, 705, the Third Circuit Court of Appeals said of this rule:

"So long, therefore, as a finding of fact is supported by evidence and is not clearly erroneous, it is to be accepted on appeal as verity;"

This idea also finds expression in *Andrew Jergens Co. v. Conner*, Sixth Circuit Court of Appeals, 125 F. (2d) 686, 689, where the court held that the findings were conclusive upon it:

“\* \* \* no matter how convincing the argument, that upon the evidence the findings should have been different, unless there is no substantial evidence to support them.”

In *Anglo-California National Bank v. Lazard*, Ninth Circuit Court of Appeals, 106 F. (2d) 693, 703 (Cert. den., 308 U. S. 624; 84 L. ed. 521, 60 S. Ct. 379) the court, after concluding that there was substantial evidence to support the findings, observed that—

“the weight to be given to the evidence was for the trial court and not for this court.”

Whatever the rule attempted to be expressed in Federal Rule 52 (a), whether the review of facts is to be limited to the rejection of findings which find no substantial support in the evidence or whether the facts found by the District Court are accepted as conclusively as those found by a jury, it is inescapable that the reviewing court is forbidden from rejecting findings of fact unless “clearly erroneous”, and certainly where there is a conflict in the testimony “due regard \* \* \* to the opportunity of the trial court to judge of the credibility of the witnesses” forbids the substitution of the reviewing court’s determinations of credibility for those of the District Court.

The Circuit Court of Appeals in this case based its decision completely on its mistaken assumption that the District Court’s statement that Hobbs’ had not testified falsely was a finding by the District Court that Hobbs’ testimony was all truthful and unimpeached by the clearly contradictory evidence of other witnesses.

What the Circuit Court of Appeals did was thus merely to weigh the credibility of witnesses and to reject the testimony of many witnesses accepted by the District Court, a function denied to it by the clear terms of Rule 52 (a).

The District Court heard all the witnesses. When he withdrew his oral opinion he filed his findings with respect to the evidence presented. That the findings are supported by substantial evidence is manifest from the contemporaneous documents and uncontradicted testimony of Automotive's own witnesses. That the findings are not clearly erroneous is manifest upon the most cursory review of the evidence. The District Court's judgment of the credibility of the witnesses has been flagrantly disregarded by the Appellate Court.

#### **Conclusion.**

The judgment of the Circuit Court of Appeals should be reversed and that of the District Court dismissing the complaints for unclean hands affirmed.

Respectfully submitted,

WILL FREEMAN,  
CASPER W. OOMS.

Chicago

December 11, 1944.

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